G-001/M-92-517 ORDER REQUIRING FURTHER FILINGS REGARDING FINANCIAL INCENTIVE PLAN

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm	Chair
Tom Burton	Commissioner
Marshall Johnson	Commissioner
Cynthia A. Kitlinski	Commissioner
Dee Knaak	Commissioner

In the Matter of the Proposal of Interstate Power Company Gas Utility for a Demand-Side Management Incentive Mechanism

ISSUE DATE: July 14, 1994

DOCKET NO. G-001/M-92-517

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PROCEDURAL HISTORY

On December 9, 1992, the Commission issued its ORDER APPROVING DEMAND-SIDE MANAGEMENT FINANCIAL INCENTIVE PROGRAM WITH MODIFICATIONS AND REQUIRING FURTHER FILING. In that Order the Commission approved the demand-side management (DSM) incentive program proposed by Interstate Power Company Gas Utility (Interstate or the Company). Under the two-year pilot plan, Interstate was allowed to recover up to 100 percent of its lost margins due to energy conservation from direct impact programs. Interstate was required to file its lost margin calculations annually on April 1.

On February 22, 1994, Interstate filed its first calculation of lost margins pursuant to its DSM plan. Interstate suggested that further annual lost margin filings be filed on November 1.

Interstate calculated lost margins due to conservation from October, 1990, through January, 1994. Interstate calculated that it experienced $26,591.54 in lost margins and associated carrying charges during that time.

On March 25, 1994, the Department of Public Service (the Department) filed a report and recommendations. The Department questioned the Company's estimates of savings per participant and its proposed commencement of the lost margin calculation.

On April 8, 1994, Interstate filed responsive comments.

The matter came before the Commission for consideration on June 30, 1994.

FINDINGS AND CONCLUSIONS

I. Future Filing Date for Lost Margin Calculations

Interstate requested that its future lost margin calculation filings be filed on November 1 of each year.

The Department noted that the Conservation Improvement Program (CIP) year for gas utilities ends on September 30 and the annual CIP tracker report is due on November 1. The Department recommended that the Commission allow the Company to file its incentive report on November 1, along with its annual CIP tracker report.

The Commission agrees with the Company and the Department that the Company's annual lost margin calculation should be filed on November 1, along with the Company's CIP tracker report.

Submitting the two related filings on the same date will increase administrative efficiency for the Company, the Department, and the Commission.

The Commission will permit Interstate to file future DSM lost margin filings annually on November 1.

II. Savings Impact Measurement

The Commission's 1992 Order approving Interstate's DSM financial incentive plan requires the Company to calculate lost margins by estimating the energy savings per plan participant and applying the estimated savings to the number of participants.

The Department disagreed with the Company's method of estimating energy savings per program participant. The Department recommended that the Company substitute the engineering estimates of savings per participant that were approved by the Commissioner of Public Service in the Company's latest CIP. The CIP figures are 16.64 MCF/Participant/Year for the Lower Income Insulation Project and 99 MCF/Participant/Year for the Commercial High-Efficiency Furnace Project.

The Company protested that the Department's recommended savings estimates were not specified in the CIP decision but were either derived from CIP goals in the case of the Lower Income Insulation Project or derived from Department Staff analysis in the case of the Commercial High-Efficiency Furnace Project. The Company also stated that the impacts it used to derive lost margins for these programs, which are the same impacts it used in its CIP filing, are very close to the Department's figures.

The Commission agrees with the Department that in most cases utilities should use the project savings estimates established in the CIP process. In the CIP process the utility has the opportunity to present its estimates as CIP figures are subject to rigorous Department review and analysis.

In this case, the Lower Income Insulation Project impacts were clearly calculated and articulated in the CIP process and should be used by the Company in its lost margin calculations. Because the High Efficiency Furnace Project impacts were not actually determined in the latest CIP process, the Commission will require the Company to obtain a CIP-approved impact estimate prior to calculating lost margin recovery for this project. The Commission notes that the Company made a biannual CIP filing on March 1, 1994, which is now under review by the Department. The Commission will therefore allow the Company to use the impact figures which are determined in the current CIP process in its November 1, 1994, lost margin filing. Interstate will not be harmed by waiting for the Department's impact determination because the Company will be allowed to place the entire amount of lost margins, plus carrying charges, into its tracker once a goal is approved.

III. Commencement Date of the Incentive

The Commission's December 9, 1992, Order approving the Company's DSM financial incentive program did not specify a commencement date for application of the incentive. The Company proposed a commencement date of October, 1990, reasoning that it had been losing margins on CIP programs since it began collecting interim rates in its 1990 general rate case. The Department stated that the Company should commence accumulation of its lost margin recovery as of October 1, 1992, the same date the Commission established for Great Plains Natural Gas in a similar proceeding. Interstate countered that the commencement date for another utility is not relevant.

The Commission finds that October 1, 1992, is the most logical date to begin applying Interstate's DSM incentive. Although the 1992 Order did not specify a commencement date, the fact that the Commission approved the DSM program as a two-year pilot project indicates an intention to apply the incentive prospectively. An October 1, 1992, commencement date would be consistent with Commission precedent on this issue, since most utilities' incentives have commenced with the first CIP year after the filing of the incentive proposal.

The Commission will require that Interstate apply its incentive as of October 1, 1992.

ORDER

1. The Commission will require the following modifications and additions to Interstate's February 22, 1994, filing on lost margin calculations:

   a. Future annual lost margin filings shall be due each November 1;

   b. The Company shall apply the impacts established by the Department in the last CIP process for the Lower Income Insulation Project estimated savings. For the Commercial High-Efficiency Furnace Project, the Company shall apply the impact determined by the Department in the current CIP process based upon the Company's March 1, 1994, CIP filing;

   c. Lost margin recovery shall commence as of October 1, 1992;

   d. The Company shall refile its calculation of lost margins from October 1, 1992, using the approved impacts, in its November 1, 1994, lost margin filing.

2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)